

June 6, 2007

Beth Sachs
Vermont Energy Investment Corporation
255 S. Champlain St.
Burlington, VT 05401

Dear Ms. Sachs:

As you are aware, on December 14, 2006, the Public Service Board issued an order directing VEIC, as the Efficiency Vermont contractor, to participate in the Forward Capacity Market on behalf of Vermont. Since that time VEIC has participated in the development of rules for the Forward Capacity Market and attended workshops by ISO-NE detailing the process involved in submitting a bid in the Forward Capacity Market.

On May 29, 2007, staff members of VEIC made a presentation to the Board and the Department of Public Service regarding the qualifications package that VEIC must submit to ISO-NE in order to participate in the Forward Capacity Market Auction. The presentation provided four general conclusions:

- VEIC should place a bid in the Forward Capacity Market on behalf of Vermont ratepayers;
- The bid should represent an aggressive estimate of savings;
- the first-year bid should be for a five-year commitment; and
- VEIC should enter a bid at the price floor.

On June 4, 2007, the Department filed a letter stating that it agrees with VEIC's conclusions and feels that the strategy presented by VEIC "will produce the greatest anticipated benefit for Vermont consumers."

I want to thank you and your staff for the May 29 presentation; it was both informative and timely. The Board is not reviewing the specific savings numbers presented in VEIC's proposal nor have we participated in the training programs provided by ISO-NE. However, based upon the May 29 presentation and the

Department's concurrence with VEIC's conclusions, it appears that VEIC's overall approach to the qualifications package is reasonable and VEIC's proposed submission in the Forward Capacity Market will benefit Vermont ratepayers. I support VEIC's participation in the Forward Capacity Market in a manner consistent with the approach described in VEIC's May 29 presentation.

Sincerely,

James Volz, Chair
Public Service Board

cc: Riley Allen, Department of Public Service
Michael Wickenden, Contract Administrator